

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HILLRIDGE)	
FACILITIES, INC. FOR A RATE ADJUST-)	
MENT PURSUANT TO THE ALTERNATIVE)	CASE NO. 89-347
RATE FILING PROCEDURE FOR SMALL)	
UTILITIES)	

O R D E R

Before the Commission is the application of Hillridge Facilities, Inc. ("Hillridge") for a rate adjustment pursuant to Commission Regulation 807 KAR 5:076. This proposed rate adjustment would produce additional annual operating revenues of approximately \$72,800, an increase of 55.7 percent over normalized test year operating revenues. We deny the proposed rate adjustment, but grant new rates producing an increase in operating revenues of \$38,846 or 29.7 percent.

Hillridge operates a 326,000 gallon sewage treatment plant providing sewer service to approximately 693 customers in eastern Jefferson County. It is a privately owned corporation incorporated under the laws of Kentucky.

Hillridge filed its application for rate adjustment on November 17, 1989. Joseph H. Eckert, Pat Brynes, and Steven Rague, customers of Hillridge, were permitted to intervene in this proceeding. A hearing in this matter was held on August 2 and 17, 1990 at the Commission's offices in Frankfort, Kentucky. At this hearing, Donald H. Ridge, Sr., Hillridge's sole stockholder, Lawrence W. Smither, Chairman and Chief Executive Officer of

Andriot-Davidson Company, Steven Raque, and Commission Staff members Karen Harrod and John Geoghegan gave testimony.

REVENUE REQUIREMENT DETERMINATION

Hillridge proposes to use as its test period the 1988 calendar year, the last year for which information was readily available. The Commission finds the 1988 calendar year to accurately reflect Hillridge's current operations and accepts its use as the test period. Commission Staff and Hillridge have proposed adjustments to test period levels. While the parties and Commission Staff have stipulated to some of these adjustments,¹ others are disputed. For brevity's sake, we will focus solely on those adjustments in dispute.

Operating Revenues

Hillridge reported test year operating revenues of \$128,305 based upon service to 683 customers. Ten customers, however, were added to Hillridge's system during the test year. To normalize the revenues received from these new customers, Commission Staff proposes an adjustment of \$2,256 to operating revenues.² As the number of Hillridge customers remains at this level, the Commission finds this adjustment to be reasonable and accepts it.

Operating Expenses

Supervision and Engineering Expense/Owner-Manager Fee.

During the test period, Hillridge incurred \$12,000 in supervision

¹ Transcript of Evidence ("T.E."), Vol. I, 6-7; Vol. II, 5-6.

² 693 customers x 12 months x \$15.70/month = \$130,561.
\$130,561 - \$128,305 = \$2,256.

and engineering expenses. It paid this amount to Palmetto Land Development Company ("Palmetto") for performing daily inspections of Hillridge's sewage treatment plant and certain administrative matters.

Commission Staff proposes that this expense be disallowed and that an owner-manager fee of \$2,400 be substituted. Its position is based on the Hillridge-Palmetto relationship and past Commission precedent. Hillridge and Palmetto are wholly owned by Donald H. Ridge, Sr. Mr. Ridge and his wife are Palmetto's only employees. Mr. Ridge provides all supervisory and engineering services provided by Palmetto. As Hillridge's owner performs these services and as the services in question are similar to those normally performed by owners of small sewer utilities, Commission Staff maintains that an owner-manager fee is appropriate in this instance. Based upon its review of past Commission decisions, Commission Staff submits, the amount of this fee should be \$2,400.

Vehemently opposing Commission Staff's proposal, Hillridge contends that it ignores the facts of this case. Hillridge notes that Mr. Ridge made 643 service calls on its sewage treatment plant during the test period, handled most of the utility's administrative matters, and was "charged with the responsibility for producing a quality finished product."³ Hillridge further

³ Brief of Hillridge, 7.

notes that outside entities would charge higher fees to perform services currently provided by Mr. Ridge. Finally, Hillridge contends that Commission Staff's proposal is "arbitrary, capricious, and unreasonable in that it gives no consideration to the size of a facility or to the services performed by an owner/operator."⁴

As the expense involves a transaction between affiliated entities and as it is the proponent of this expense, Hillridge bears the burden of demonstrating the reasonableness of this expense. Boise Water Corp. v. Idaho Publ. Util. Com'n, 555 P.2d 163 (Idaho 1976); Southwestern Bell Tele. Co. v. Kansas Corp. Com'n, 602 P.2d 131 (Kan.App. 1979); KRS 278.190. It has not met this burden.

Hillridge justifies the supervisory expenses in part because Palmetto allegedly bears responsibility for its sewage treatment plant's operation. Palmetto, however, does not employ a certificated wastewater operator. As KRS 224.135 and 401 KAR 5:010 require a person having primary responsibility for the operation of any sewage system to be certificated, Palmetto cannot legally have overall responsibility for the Hillridge plant's operation.⁵

The Commission notes that many of the services provided by Palmetto are duplicative. Hillridge employs Andriot-Davidson

⁴ Id. at 10.

⁵ We also note that Mr. Ridge, aside from not holding a wastewater operator certificate, has no special training which would qualify him to supervise a certificated operator.

Company to maintain its plant. Andriot-Davidson, under the terms of a maintenance contract discussed below, has "the complete operational responsibilities of the . . . [Hillridge] plant."⁶ The additional services provided by Palmetto are not normally required and have been termed by Hillridge's own witness as unusual.⁷ While we commend Mr. Ridge for his extreme efforts to ensure the plant's proper operation, the Commission finds that Hillridge's ratepayers should be required to pay only for reasonable levels of service.

The Commission further finds the administrative services provided by Palmetto do not justify this expense. Many of the duties attributed to this expense can be performed by a secretary/bookkeeper. Provision has been made in Hillridge's rates for such position. Furthermore, the quality of these services has been exceedingly poor. For example, Palmetto was responsible for preparing Hillridge's annual report and its records. Its annual report is replete with errors. Hillridge's accounting system fails completely to conform with the Uniform System of Accounts. At the hearing, Mr. Ridge, the Palmetto employee providing supervisory services, displayed a total lack of knowledge of the regulatory requirements which Hillridge must meet.

⁶ T.E., Vol. I, Staff Exhibit 3.

⁷ T.E., Vol. I, 132.

Based upon the foregoing, we find that Commission Staff's proposed adjustment is reasonable and should be accepted. Our decision should not be construed, however, as endorsing the rigid application of a \$2,400 owner-manager fee. The amount of such fee can only be determined after considering the facts of the individual case.

Routine Maintenance. During the test year, Hillridge reported routine maintenance expense of \$12,000 which was paid to Palmetto for such service as plant and equipment maintenance.⁸ Commission Staff proposes that this expense be increased by \$2,400 to reflect contractual services available from Andriot-Davidson Company, the certificated wastewater operator primarily responsible for the Hillridge plant's operation. Andriot-Davidson currently conducts daily inspections of the Hillridge plant, but performs no routine maintenance. It has offered to operate the plant and perform all routine maintenance for a monthly fee of \$1,200 or \$14,400 annually.⁹ This service would satisfy all existing regulatory requirements and would result in a monthly savings of \$200 to Hillridge by eliminating the maintenance fee to Palmetto.¹⁰

⁸ Id. at 16, 71.

⁹ T.E., Vol. I, Staff Exhibit 3.

¹⁰

Current Monthly Maintenance Fee - Mr. Ridge	\$1,000
Current Monthly Fee - Andriot-Davidson	400
Total Current Monthly Fee	<u>\$1,400</u>
Proposed Monthly Fee - Andriot-Davidson	1,200
Monthly Savings	<u>\$ 200</u>

After a thorough review of the proposed contract, the Commission finds that required maintenance and operation functions of Hillridge can be performed under the contract at a savings of \$200. Accordingly, an adjustment has been made to allow an annual fee of \$14,400 to Andriot-Davidson Company and to eliminate the maintenance fee of \$12,000 to Palmetto.

Sludge Hauling. Hillridge proposes to increase sludge hauling expense by \$9,600 based on an estimated increase of 50 additional loads of sludge at \$192 per load. Staff proposed to disallow the increase since the additional number of loads does not meet the rate-making criteria of being known and measurable. Staff, however, did propose an adjustment to increase this expense by \$4,102 based on the number of loads hauled during the test year and the increased cost per load of \$192.¹¹

In his testimony Mr. Ridge explained that the 50 additional loads was based on a calculated estimate. However, he was not able to provide his calculations to the Commission and, in fact stated in Item 2 of the information filed on June 6, 1990, that "many, many factors contribute to the development of the sludge. These variables make it impossible to predict an exact amount of sludge that should be wasted and hauled away." Mr. Smither was also unable to provide an estimate for the number of loads of sludge that would need to be hauled.¹²

¹¹ T.E., Vol. II, Staff Exhibit 4 at 3-4.

¹² T.E., Vol. I, page 150.

Mr. Ridge provided copies of selected health department reports which indicated that Hillridge's settleable solids exceeded 50 percent. According to Mr. Edward M. Middleton of the Louisville and Jefferson County Health Department, sufficient sludge should be hauled to maintain the percent of settleable solids between the required 20 percent and 50 percent.¹³ Although Hillridge's settleable solids sometimes exceed the 50 percent level, according to Mr. Middleton, Hillridge is not a problem plant.

The Commission realizes that there may be a need for additional sludge to be hauled from the Hillridge plant. However, based on the evidence presented, there is no way to determine the correct number of sludge loads which would be necessary. The Commission therefore finds that the adjustment proposed by Hillridge is not known and measurable and should be denied. The Commission concurs with the adjustment proposed by Staff and, accordingly, has increased sludge hauling expense by \$4,102.

Chemicals. In its application, Hillridge proposes to increase test-period chemical expense from \$2,061 to \$3,000. This increase was attributed to the need for chemical deodorants to comply with Louisville-Jefferson County Health Department standards.¹⁴ Following the hearing in this matter, Hillridge

¹³ T.E., Vol. I, Staff Exhibit 1.

¹⁴ T.E., Vol. I, 56.

submitted documentary evidence suggesting the total cost of the desired chemical deodorants is \$7,406.¹⁵ This evidence shows that two agents, HTH and Oxford DV-68, can normally be used for odor control. It does not indicate that these chemicals must be used jointly nor that, if used individually, they would be ineffective. The Commission has calculated the cost of each chemical¹⁶ and has increased chemicals expense by \$1,038 to reflect the purchase of HTH. We have, in response to a Commission Staff recommendation,¹⁷ increased chemicals expense by an additional \$500 to appropriately classify a portion of test-period chemical expense.

Maintenance. Hillridge proposes to include additional maintenance expense of approximately \$17,000. Palmetto incurred these expenses to maintain Hillridge's sewage treatment plant and subsequently billed the sewer utility for them. Hillridge recorded \$13,277.64 of this amount as an account payable in its 1988 annual report, but not as an operating expense on either its

¹⁵ Letter of R. Kenneth Kinderman to Gerald E. Wuetcher (August 8, 1990) (complying with request for documents), Item No. 5.

¹⁶

HTH (700 lbs.* @ \$139.95/100 lbs.)	\$ 979.65
6% Sales Tax	58.78
Total Cost	<u>\$1,038.43</u>
 Oxford DV-68 (182 1/2 gals. @ \$32.62/gal.)	 \$5,953.15
6% Sales Tax	357.19
Total Cost	<u>\$6,310.34</u>

* Computation is based on usage of 700 lbs. instead of estimated 632 lbs. as chemical is sold only in 100 lb. units.

¹⁷ T.E., Vol. II, Staff Exhibit 4 at 5.

1988 annual report or its records. The remaining balance of this sum was never recorded.¹⁸

The type of recordkeeping practices surrounding these expenditures raises serious questions.¹⁹ Hillridge has, however, produced sufficient documentary evidence in the form of cancelled checks to prove payment of \$17,396 to Palmetto for maintenance expenses incurred during 1988. Accordingly, the Commission finds that these expenses should be recovered through Hillridge's rates. After a thorough review of invoices submitted to Hillridge by Palmetto, however, the Commission has calculated the total additional expense and has determined that it would be more appropriate to depreciate, amortize or reclassify a portion of these expenses. The Commission has accounted for the additional invoices as follows:

	<u>Actual Expenditures</u>	<u>Amount Included for Rate-Making Purposes</u>
Maintenance Expense	\$10,171.90	\$10,172
Capitalized Expenses	4,953.58 + 6 yrs.	825
Chemicals Expense	674.96	675
Tank Painting Expense	1,150.00 + 5 yrs.	230
Sludge Hauling Expense ²⁰	446.00	-0-
Total	<u>\$17,396.44</u>	<u>\$11,902</u>

¹⁸ T.E., Vol. I, 28.

¹⁹ Commission Staff recommended against allowance of these expenses precisely because Hillridge never recorded them and their credibility, therefore, was highly suspect.

²⁰ Sludge Hauling Expense was excluded because the Commission has already allowed for an annualized sludge hauling expense based on number of loads hauled per Hillridge's annual report.

Accordingly, total operating expenses have been increased by \$11,902.

Rate Case Expense. Hillridge proposes to include rate case expense of \$15,474 in its rates. The magnitude of this expense is not reasonable in relation to the size and scope of Hillridge's operation. The Commission has reviewed cases decided within the last 24 months in which similarly sized water and sewer utilities were involved and rate case expense was awarded. A listing of these cases appears at Appendix A. The average rate case expense found reasonable was \$3,679. The expense sought by Hillridge is four times that level. Only those rate case expenses which are considered reasonable and in line with those charged in other proceedings of similar complexity may be passed on to a utility's ratepayers. Re New Milford Water Company, 84 PUR3d 183 (Conn. P.U.C. 1970).

The Commission declines to pass through to Hillridge's ratepayers the full amount of this rate case expense. As none of the cases listed in Appendix A involved a hearing before the Commission, we find that \$7,700, approximately \$4,000 more than the average level of rate case expense, should be allowed in Hillridge's rates as a reasonable level of expenses associated with the prosecution of Hillridge's application. We concur with the recommendation of parties and Commission Staff that this expense be amortized over a three year period. Therefore, an adjustment has been made to annual rate case expense of \$2,567.²¹

²¹ $\$7,700 \div 3 \text{ years} = \$2,567/\text{year}.$

Income Tax Expense. Commission Staff proposes disallowing test-year income tax expense because it was composed of prior year taxes, penalties and interest which were primarily for associated companies.²² The Commission concurs and has eliminated test-year income tax expense of \$15,772. Provision for income tax expense, however, has been made in setting Hillridge's rates.²³

Louisville-Jefferson County Health Department. Hillridge proposes an adjustment for Louisville-Jefferson County Health Department's annual fee of \$700. Hillridge contends that this fee was omitted from its test-year expenses.²⁴ The Commission finds that this expense was omitted from test-year expenses and has increased operating expenses by \$700 to reflect this expense.

Interest Expense. In its test period expenses, Hillridge includes interest expense of \$27,679. Commission Staff recommends that the Commission disallow this expense. It contends the interest expense is from a loan which was obtained to meet Hillridge's operating expenses. To allow recovery for this interest expense would, Commission Staff asserts, constitute retroactive rate-making.²⁵

The Commission has two concerns about the interest expense. First, Hillridge never sought nor received Commission

²² T.E., Vol. II, Staff Exhibit 4 at 9.

²³ See infra Note 30.

²⁴ T.E., Vol. II, 8-9.

²⁵ T.E., Vol. II, Staff Exhibit 4 at 9.

authorization to issue long term debt. KRS 278.300 expressly requires such authorization before a utility may issue evidence of indebtedness. Hillridge's president attempts to defend the utility's actions by claiming ignorance of the law. Ignorance of the law, however, is not an acceptable defense. Allowance of this interest expense would amount to Commission sanction of an illegal and inexcusable act.

Second, allowance of the interest expense would constitute retroactive rate-making. Hillridge's president testified the loans were secured to meet present operating losses. Although Hillridge officials were aware that the utility could seek rate relief, they instead choose to borrow funds to meet losses.²⁶ Including the interest expense on these loans in rates would force present ratepayers to pay increased future rates to compensate Hillridge for past deficit spending. In effect, the Commission would be fixing rates and charges retroactively. We are prohibited from just that. See Knoxville v. Knoxville Water Co., 212 U.S. 1 (1908); Narrangansett Electric Co. v. Burke, 415 A.2d 177 (R.I. 1980); Re Town of Kingsford Heights, 83 PUR4th 303 (Ind. P.S.C. 1987).

Based upon the foregoing, we adopt Commission Staff's recommendation and disallow the interest expense of \$27,679.

²⁶ T.E., Vol. I, 104-105.

OPERATIONS SUMMARY

The Commission has determined Hillridge's operating statement to be as follows:

	Test Year ²⁷ <u>Actual</u>	<u>Adjustments</u>	Test Year <u>Adjusted</u>
Operating Revenues	\$128,305	\$ 2,256	\$130,561
Operating Expenses			
Supervision & Eng.	12,000	(\$12,000)	-0-
Sludge Hauling	7,418	4,102	11,520
Utility Service			
- Water	2,748	\$ 291 ^{*28}	3,039
Power Purchased	36,282	(1,579) [*]	34,703
Chemicals	2,061	2,213	4,274
Routine Maint.	12,000	2,400	14,400
Maintenance	23,236	5,089	28,325
Agency Collection			
Fee	4,433	266 [*]	4,699
Office Supplies &			
Other	9,000	5,248 [*]	14,248
Outside Services	3,854	(1,945) [*]	1,909
Insurance Expense	481	154 [*]	635
Amortization Exp.	1,500	(1,500) [*]	-0-
Rate Case Expense	-0-	2,567	2,567
Taxes Other Than			
Income Taxes	2,024		2,024
Miscellaneous Gen.			
Expense	-0-	220 [*]	220
Tank Painting Exp.	-0-	1,440 [*]	1,440
Depreciation Exp.	-0-	18,048 [*]	18,048
Owner/Manager Fee	-0-	2,400	2,400
Income Taxes	15,772	(15,772)	-0-
Health Dept.			
Fee	-0-	700	700
Total Operating			
Expense	<u>\$132,809</u>	<u>(\$12,342)</u>	<u>\$145,151</u>

²⁷ These figures are as they appear in Hillridge's annual report for the 1988 calendar year. During the hearing in this matter, Hillridge's president questioned the accuracy of these figures. See, e.g., T.E., Vol. I, p. 108.

²⁸ The asterisk indicates that all or a portion of the adjustment was the result of a stipulation between the parties and Commission Staff.

Net Operating Income	(\$ 4,504)	(\$10,086)	(\$14,590)
Interest Expense	<u>\$ 27,679</u>	<u>(\$27,679)</u>	<u>-0-</u>
Net Income	<u>(\$32,183)</u>	<u>\$17,593</u>	<u>(\$14,590)</u>

REVENUE REQUIREMENTS

For small, privately owned sewage utilities like Hillridge, the Commission has previously held that the operating ratio method should be used for rate-making determination. This method is used because "the books, records and accounts of many of these utilities are incomplete" and because no comparable utility exists upon which to base a rate of return determination.²⁹

The Commission finds that an 88 percent operating ratio is the appropriate operating ratio to use in determining Hillridge's revenue requirement. Based upon such a ratio, Hillridge requires annual operating revenues of \$169,407, or additional operating income of \$38,846.³⁰ An 88 percent ratio will, furthermore,

²⁹ Case No. 7658, An Adjustment of Rates of the Lee Angle Company, Inc., Order of May 30, 1980.

³⁰

Adjusted Operating Expenses	\$145,151
Operating Ratio	.88
Required Operating Revenue before Income Taxes	<u>\$164,944</u>
Less: Adjusted Operating Expenses	<u>145,151</u>
Required Net Operating Income	<u>\$ 19,793</u>
Add: Allowance for Income Taxes (\$19,793 x .22549)	4,463
Adjusted Operating Expenses	<u>145,151</u>
Total Revenue Requirement	<u>\$169,407</u>
Less: Normalized Test Year Revenue	<u>130,561</u>
Required Revenue Increase	<u>\$ 38,846</u>

provide sufficient revenues for Hillridge to meet its operating expenses and receive a reasonable return.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Hillridge requires gross annual operating revenues of \$169,407 to meet its operating expenses, to ensure an adequate cash flow and to provide a fair and reasonable return on investment.

2. The rates in Appendix B, attached hereto and incorporated herein, will produce gross annual operating revenues of approximately \$169,407 based on adjusted test year sales and are the fair, just, and reasonable rates for sewer service provided by Hillridge.

3. The rates proposed in Hillridge's application will produce revenues in excess of that found reasonable herein.

4. Hillridge's present record-keeping system does not conform to the Uniform System of Accounts for Sewer Utilities. It is based on the cash method, not the accrual method, of accounting and fails to reflect all revenues received and expenses incurred.

5. Hillridge has executed evidences of indebtedness for long-term debt without obtaining Commission authorization as required by KRS 278.300.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Hillridge in its application are hereby denied.

2. The rates contained in Appendix B are approved for service rendered by Hillridge on and after the date of this Order.

3. Within 30 days of the date of this Order, Hillridge shall file with the Commission its revised tariff setting out the rates approved herein.

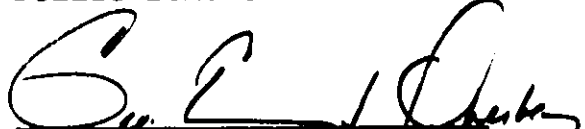
4. Hillridge shall adopt a record-keeping system which conforms to the Uniform System of Accounts for Sewer Utilities and which accurately reflects all revenues collected and expenses incurred.

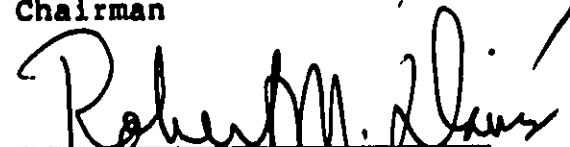
5. Hillridge shall seek Commission approval before issuing any evidence of indebtedness for long term debt.

6. Hillridge shall closely monitor its financial position and seek rate relief in a timely manner when it is necessary.

Done at Frankfort, Kentucky, this 17th day of September, 1990.

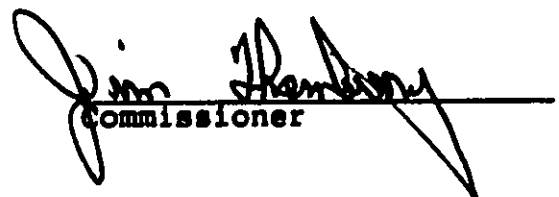
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-347 DATED September, 17, 1990.

COMMISSION CASES INVOLVING SIMILARLY SIZED WATER/SEWER UTILITIES IN WHICH RATE CASE EXPENSES WERE ALLOWED

- Case No. 10332, The Application of Parkville Water District, of Boyle County, Kentucky, for Approval of the Increased Water Rates Proposed to be Charged by the District to Customers of the District.
- Case No. 10356, Adjustment of Rates of the Auxier Water Company, Inc.
- Case No. 89-207, The Application of Rough River Water System for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities.
- Case No. 89-273, Application of Orchard Grass Utilities, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure For Small Utilities.
- Case No. 89-274, Application of Bullitt Utilities, Inc. d/b/a Bullitt Hills Sewer System for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure For Small Utilities.
- Case No. 89-275, Application of Willow Creek Sewer System for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure For Small Utilities.
- Case No. 89-262, The Application of Maryville Sewage System, Inc. for a Rate Adjustment.
- Case No. 90-075, Adjustment of Rates of the Commonwealth of Kentucky of Lexington South Elkhorn Water District.
- Case No. 9896, Application of the Elkhorn Water District (1) For a Certificate of Convenience and Necessity to Construct a Water Storage Tank and Additional Lines; (2) For Approval of Financing Plan for Said Project and (3) For Approval of Water Rates and Charges.
- Case No. 89-189, Application of the Union Light, Heat and Power Company for Certificate of Public Convenience and Necessity to Bid on a Gas Franchise in the City of Covington, Commonwealth of Kentucky.

- Case No. 10280, Application of Woodlawn, Oakdale & Husbands Road Water District (Sanitation District No. 4) of McCracken County, Kentucky, for (1) A Certificate of Public Convenience and Necessity, Authorizing and Permitting said District to Construct Sewage Treatment Facility Improvements, Consisting of Extensions, Additions, and Improvements to the Existing Sewer System of the District; (2) Approval of the Proposed Plan of Financing of Said Project; and (3) Approval of the Increased Sewer Rates Proposed to be Charged by the District to Customers of the District.
- Case No. 89-159, An Adjustment of Rates of the Martin County Water District No. 1.
- Case No. 89-136, Application of West Oldham Utilities, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities.
- Case No. 89-155, An Adjustment of Rates of the Martin County Water District No. 2.
- Case No. 89-368, Application of Murray No. 1 Water District for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure For Small Utilities.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-347 DATED September 17, 1990.

The following rates and charges are prescribed for the customers in the area served by Hillridge Facilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rate

\$20.38